

Case Study on Direct Benefit Transfer (DBT) Scheme of India

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01

Introduction

Introduction

- In order to lift the backward sections of society and crisis affected families from poverty, the Government of India (GoI) has been facing some core problems in the distribution of funds.
- Two major problems in the transfer of benefits under govt schemes were:
 - Organizational structure of delivery of benefits to the concerned beneficiary.
 - Identity verification of the deserving beneficiary .
- Government of India (GoI) realized the urgent need of empowering the delivery mechanisms of govt schemes to ensure the right groups getting benefitted from the govt schemes.

Introduction

- Thus the portal of an innovative solution called the **Direct Benefit Transfer (DBT) program** was launched in the year **2013**, for a more transparent and systematic delivery process of subsidiary schemes.
- Though the foundational objectives of DBT were to simplify the delivery process, its implementation has posed a couple of challenges in a vast, diverse and a country with complex top-down bureaucratic structure like India (discussed in the further slides).
- These hardships can be tackled by the government on completely utilizing the ecosystem of digitalization and social network connectivity provided by various branches of ICT.



02

Detailed problems before DBT

Detailed Problems before DBT

- Verification of beneficiary's identity

Central & state govt authorities have faced the core time consuming challenge of identifying the right beneficiaries through the documents received. Large number of true beneficiaries have missed out many schemes due to the unavailability of few crucial documents and a lengthy process.

- Identity fraud committed by anti-social elements

Incidents involving anti-social elements capturing govt schemes through bogus documents and records & identity theft have been reported in the past few years. It is the government's responsibility to track such criminals and punish them under the criminal acts.

Detailed Problems before DBT

- Multiple individuals involved in a linear process
 - Involving multiple functionaries between the govt and common-man made the process time expensive and costly.
 - The beneficiary had to visit a dozen of departments, taking appointments in a queue, carrying a bunch of documents only to know that it will take some more time to avail the benefits.
 - Government was lacking the forces and methods to control and curb institutional corruption at different levels .
 - Transparency was a big issue in govt related schemes.



03

Objectives of DBT

Objectives of DBT

- Through the National Committee on Direct Cash Transfer, the Government of India (GoI) desired to utilize the principles of digitalization for delivery of services to tackle the problems faced in the distribution of subsidies.
- The introduction of DBT was primarily aimed at eliminating corruption, better governance and identity record management of the beneficiaries .
- Through DBT, the actual beneficiaries would maximize the benefits and the nation **can achieve overall human development** owing to the economic measures.

Objectives of DBT

- Objectives of DBT currently include:
 - Identifying beneficiaries through their Aadhaar UIDs.
 - Directly crediting monetary benefits such as pensions, scholarships, etc. to the bank accounts of the beneficiaries.
 - Digital payment of subsidies under DBT through Public Financial Management System of the Government of India (GoI).
 - Ensuring timely delivery of benefits to deserving beneficiaries by preventing leakages in the delivery mechanism and causing significant reduction in cost of transactions .
 - Maintaining efficient, transparent and fast transfer of benefits.

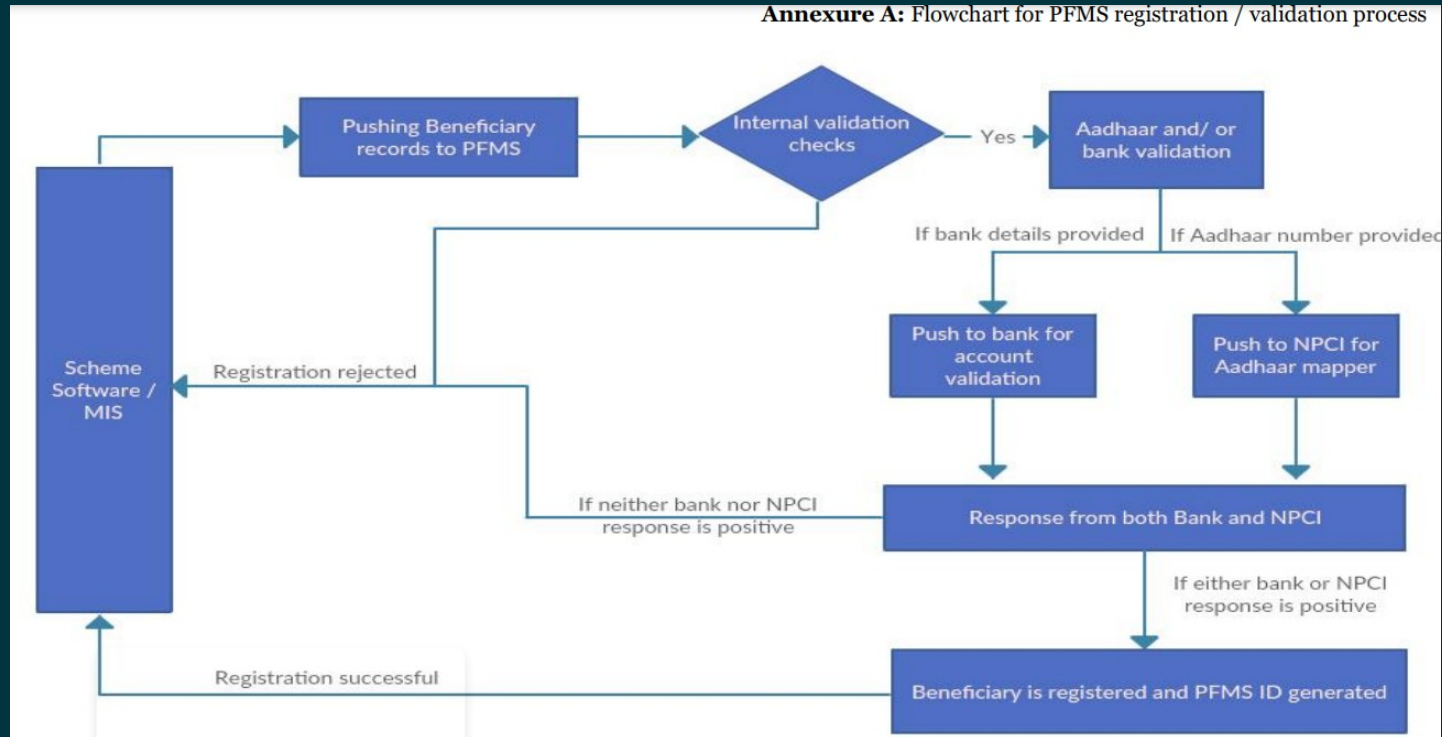


04

Strategic Planning and programs for DBT

Strategic planning and programs for DBT

- Flowchart of PMFS registration / validation process under Annexure A of the SOPs provided for DBT scheme (source: dbtbharat.gov.in)



Strategic planning and programs for DBT

- The government created a task force of administrative correspondents of key ministries, to provide a systematic path for the execution of this strategy which was led by eminent personalities in technology all over India at that time in order to suggest a workable solution
- National Committee on Direct Cash Transfer was established on the 25th October, 2012 under the then PM of India Shri Manmohan Singh
- Digitalization of all the governmental procedures was at the center of strategies put forth by the Government of India (2009-14) for DBT, though it was aware of the challenges ahead such as non-availability of unique identity of beneficiaries, non-availability of access to banking and limited network connectivity in rural areas

Strategic planning and programs for DBT

- The Executive Committee assisted the National Committee & they both were supported by the committees: Financial Inclusion Committee, Technology Committee and Implementation Committee on electronic transfer of benefits
- The first phase of DBT, rolled out on **1st January 2013**, was launched in **43** districts, covering **scholarships and social security pensions**
- With effect from **12th December 2014**, it expanded across the nation. **MGNREGA** was also brought under DBT **along with 34** other schemes
- The Central Plan Scheme Monitoring System (CPSMS), being implemented by the Office of Controller General of Accounts, acts as the common platform for routing DBT

Strategic planning and programs for DBT

- **CPSMS** is used for the preparation of the beneficiary list, digitally signing the same and processing of payments in the bank accounts of the beneficiary using the Aadhaar Payment Bridge
- The following programs are part of the DBT initiative:
 - National Child Labor Project
 - Student Scholarship
 - LPG subsidy
- There are total **313** schemes under DBT (as of March 27, 2022). Some of them include Pradhan Mantri Fasal Bima Yojana, National Food Security Mission, National Livestock Mission, Swachh Bharat Mission, Gramin Atal Pension Yojana, Ayushman Bharat & Khelo India



05

Achievements of DBT

Achievements of DBT

Source : dbtbharat.gov.in

- Total DBT (2013-Present) = Rs. 21,69,256 Crores = \$ 284.32 billion

Direct Benefit Transfer
Government of India

75 Azadi Ka Amrit Mahotsav

Citizen's Bank Account-Aadhaar linking status
Find Nearby Bank

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सबका साथ
सबका विकास
सबका विश्वास
सबका प्रयास

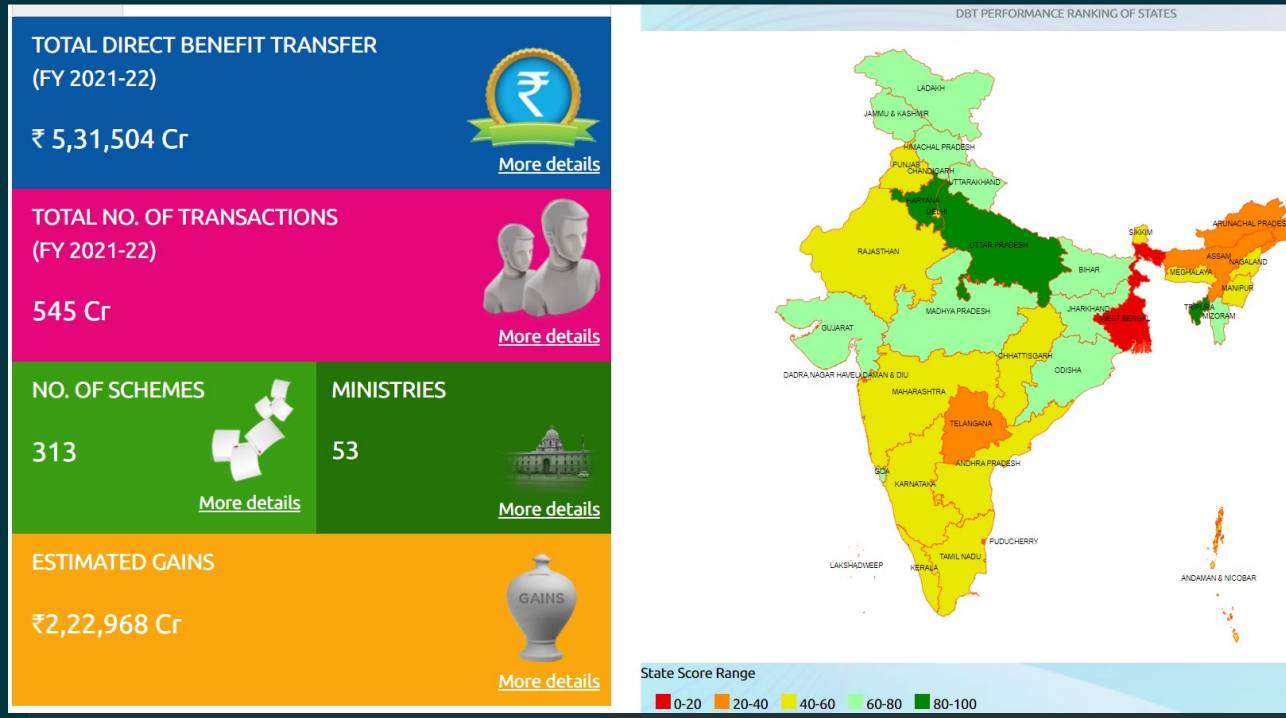
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₹21,69,256 Cr

Achievements of DBT

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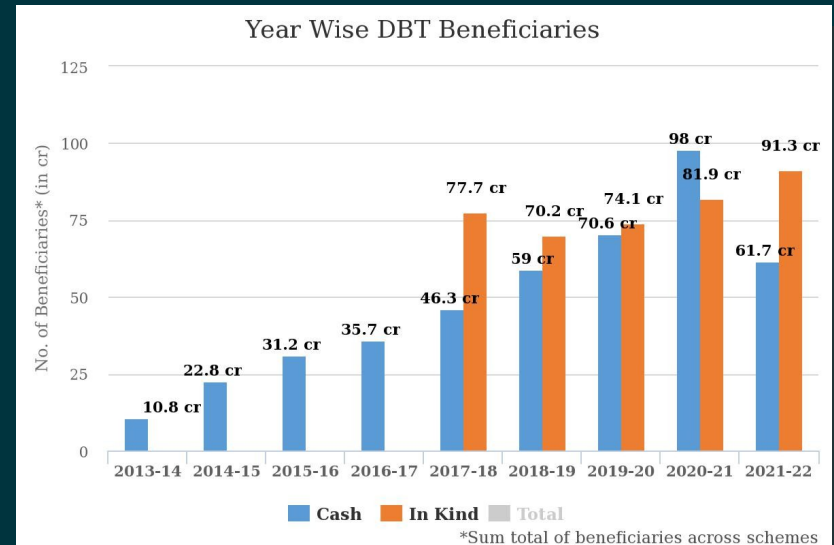
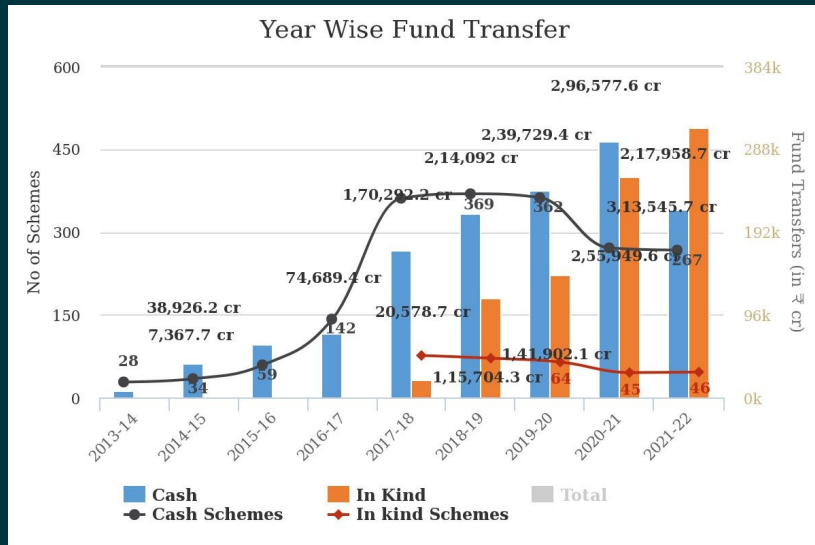
- For FY 2021-22, \$ 69.60 billion DBT was achieved with a total of 5.45 billion transactions and a savings of over \$ 29.10 billion



Achievements of DBT

Source : dbtbharat.gov.in

- In FY 2021-22, **913 million** beneficiaries were delivered in kind services under DBT whereas **617 million** beneficiaries received cash through DBT across various schemes
- Total DBT beneficiaries & fund transfer have increased over the years



Achievements of DBT

- DBT led the removal of duplicate / fake beneficiaries due to which the government could target the genuine and deserving beneficiaries
- Estimated savings / benefits from some of the Schemes are as under:

S.No	Ministry/ Department	Scheme	Estimated Savings / Benefits (in Rs. Cr)			Remarks
			Cumulative upto March 2020	April 2020 to March 2021	Cumulative upto March 2021	
1	Department of Fertilizers	FERTILIZER	10,000.00	0	10,000.00	Reduction of 120.88 Lakh Metric Tonnes of fertilizer sale to retailers.
2	Department of Rural Development	MGNREGS	25,672.36	7,803.11	33,475.47	Based on field studies Ministry has estimated 10% savings on wages on account of deletion of duplicate, fake/ non-existent, ineligible beneficiaries.
3	Department of Rural Development	NSAP	524.31	6.41	530.72	Deletion of 9.53 lakh duplicate, fake/ non-existent, ineligible beneficiaries (including some due to migration, death etc.).
4	Ministry of Women and Child Development	OTHERS	1,523.75	0	1,523.75	Reduction of 98.8 lakh duplicate, fake/non-existent beneficiaries.

5	OTHERS	OTHERS	1,120.69	35.86	1,156.55	
6	Ministry of Petroleum and Natural Gas	PAHAL	71,301.00	1,608.58	72,909.58	4.11 crore duplicate, fake/ non-existent, inactive LPG connections eliminated. In addition there are 1.79 crore Non-subsidized LPG consumers, including 1.08 crore 'Give It Up' consumers.
7	Department of Food and Public Distribution	PDS	66,896.87	34,700.00	1,01,596.87	Deletion of 3.99 crore duplicate and fake/ non-existent Ration Cards (since 2013 till 2020)
8	Ministry of Minority Affairs	SCHOLARS HIP SCHEME	1,022.15	417.82	1,439.97	Deletion of 21.62 lakh duplicate, fake/ non-existent beneficiaries.
9	Department of Social Justice and Empowerment	SCHOLARS HIP SCHEME	335.52	0	335.52	Deletion of 1.91 lakh duplicate, fake/non-existent beneficiaries.
Total			1,78,396.65	44,571.78	2,22,968.43	



06

Manoeuvre behind DBT's success

Manoeuvre behind DBT's success

- Public Financial Management System (PFMS), which was started as the Central Planning Scheme Monitoring System (CPSMS) of the Planning Commission in 2008-09 fueled the development of required technical modules for DBT
- **Outstanding support** provided by the **successive govt.** Aadhaar, launched by the UPA govt has received a massive support from the successive NDA govt.
- **Digital revolution** of the 2010s connecting millions of citizens
- Structuring **government policies** for the promotion of DBT
- Involving multiple departments and ministries under DBT

Manoeuvre behind DBT's success

- **Awareness programs** and **campaigns** to reach out the rural and downtrodden population by the Ministry of Finance and Ministry of Rural development, etc. for use of Aadhaar in disbursement of benefits
- Linking of beneficiary's Aadhaar ID and financial details helping in tracking the right beneficiary and monitoring its finance
- Sophisticated Federal Database of Beneficiaries improvising the identity record management of the beneficiaries



07

Role of ICT in the project

Role of ICT in this project

- Information and communication technologies (ICT) plays a significant role in almost all aspects of the modern society
- It has changed the way in which we communicate with each other, how we find information, how we conduct business, interact with government agencies, and how we manage our social lives
- Citizens have been receiving additional opportunities and services as a result of ICTs
- ICT plays a magnificent role in CCTs or UCTs through network connectivity and bringing up the overall development of the world

Role of ICT in this project

- It has also developed social responsibility among the citizens and left a significant impact on elevating underprivileged classes of society by connecting them to people all around the world
- Almost all the government machineries today rely on ICT to transform government operations and services in order to meet citizens' expectations for better services
- Every department is working hard to improve government competence in order to satisfy people's needs and provide better services. The software application **DBTMIS** was conceived, developed and implemented with this aim in mind by the Planning Commission's local NIC unit for DBT.



08

Critical Analysis of DBT and conclusion

Critical Analysis of DBT

- Cash transfer schemes like DBT were rolled out in many nations before the 2010s such as Brazil (*'Bolsa Familia'*, world's largest & most successful CT scheme), USA, Mexico and many Latin American nations
- Policies of these nations have not intervened with market, but have moved along with market⁽¹⁾ whereas in Indian context the institutions have been a substitute for welfare schemes that the market has failed to deliver and the introduction of cash transfers is the replacement of the traditional in-kind transfer⁽²⁾
- Deployment of cash transfers for public provisions in the form of kind allocations may not be suitable for certain goals and is dependent highly on the context⁽³⁾

Critical Analysis of DBT

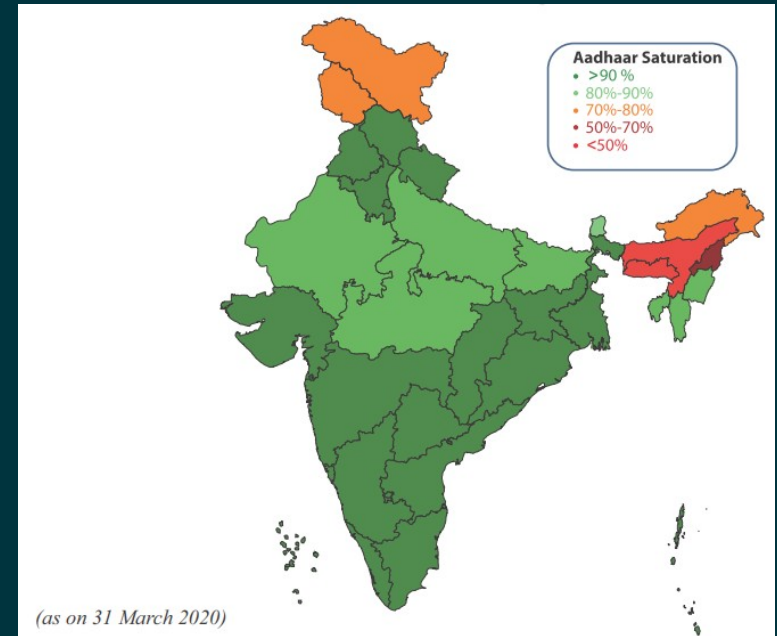
- Most of the nations have implemented Conditional Cash Transfer programs unlike Unconditional Cash Transfer (UCT) perceived in the economic survey 2010-11. It mentions, “Well targeted UCT can boost household consumption and asset ownership and reduce food security problems for the ultra-poor.”
- In Indian setting, the problem is not with the transmission of money but the conversion of money into desired outcomes
- Reports argue that the direct cash transfers designed is not in lieu with the attainment of forward and backward linkages and is **not income generating** as well⁽⁴⁾. CCTs are better measures when the intended outcome is building human capital⁽⁵⁾.

Critical Analysis of DBT

- From the DBT Mission data, if it was 5.68 crore beneficiaries who were not holding Aadhaar in 2013, it's 8.36 crore beneficiaries who were not holding an Aadhaar to receive the DBT in 2017, as the beneficiaries of DBT scheme had been increased from 22.74 crores (2013) to 35.71 crores (2017).
- In 2013, 8.35 crore (36.7%) of beneficiaries were having an Aadhaar seeded bank account but if we check the data of 2017, it's evident that only 29.01% of fund is transferred through Aadhaar linked bridge payment system. So the scheme is **yet to reach out to many** by ways of providing Aadhaar, opening of bank account and simultaneously linking the unique identity with the bank accounts to find its success.

Critical Analysis of DBT

- **Inter-state parity** is yet to be achieved as the Aadhaar coverage was as little as 7.3% in Assam to as much as 116.7% in the capital, in 2017
- Even in 2020, states like Assam, Meghalaya & Nagaland were behind in terms of Aadhaar coverage



Critical Analysis of DBT

- In the context of paradigms of financial inclusion, the basic function of the Bank is to accept deposits and grant loans. Hence moving to a Aadhaar Card enabled bank account for the transfer of cash and interest subventions should not take place at par with the necessary function of credit creation, which is more important than the former.
- On moving from subsidized schemes to the introduction of cash transfers, the beneficiaries will avail the benefits at market price. On the other hand, the sellers incur income; part of which will be saved for further spending. Thus the transformation from subsidies to cash will generate a **series of secondary spending**. If not met with the supply of necessitated demand, the central bank of the country will have to take up monetary tightening policy.

Critical Analysis of DBT

- This will prove to be dampening for the economy due to less investment prospects. Specifically, besides investors, others who will be affected are the poor people who fall in the margin.
- With inflationary pressures creeping in, and in the absence of BPL (Below Poverty Line) provision, they will face price hike and increased cost of living.

Conclusion

- The direct benefit transfer scheme is an evolving project of the government that it has to closely watch and scrutinize to track the accruing benefits and the cost
- As in the case of any scheme or project, the direct benefit transfer scheme comes with its own prospects and concerns
- A systematic appraisal of the costs and benefits is a mandate for the efficient functioning of the system
- Aadhaar Card and financial inclusion through opening up of bank account are the two pillars upon which DBT rests



09

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